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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

In re: G-I HOLDINGS INC., et al., Debtors.	In Proceedings for Reorganization under Chapter 11 Case Nos. 01-30135 (RG) and 01-38790 (RG) (Jointly Administered) Hon. Rosemary Gambardella, U.S.B.J. **Hearing Date: July 11, 2007 at 11:00 a.m.**

REPLY OF G-I HOLDINGS INC. TO SUBMISSION OF THE SEABOARD GROUP II TO ADEQUACY OF NOTICE PURSUANT TO 11 U.S.C. § 102(1)(A) AND REQUEST FOR PROPER NOTICE PURSUANT TO BANKRUPTCY RULE 9019 AND BANKRUPTCY CODE § 363 FOR AN ORDER APPROVING SETTLEMENT AGREEMENT AND AUTHORIZING THE SALE OF INSURANCE POLICIES FREE AND CLEAR OF LIENS, CLAIMS, INTERESTS AND OTHER ENCUMBRANCES

G-I Holdings Inc., a chapter 11 debtor-in-possession herein ("G-I" or the "Debtor"), respectfully submits this reply to the Submission (the "Submission") of the Seaboard Group II ("Seaboard") to Adequacy of Notice Pursuant to 11 U.S.C. § 102(1)(A) and Request for Proper Notice of Motion of G-I Holdings Inc. Pursuant to Bankruptcy Rule 9019 and Bankruptcy Code § 363 for an Order Approving Settlement Agreement and Authorizing the Sale of Insurance Policies Free and Clear of Liens, Claims, Interests and other Encumbrances (the "Hartford Motion"), and respectfully represents as follows:

SUMMARY OF REPLY

1. In its Submission, Seaboard alleges that it has not been given adequate information regarding the Harford Motion to determine whether to object to G-I's proposed compromise with Hartford as being fair and reasonable. As demonstrated in detail below, G-I has provided Seaboard with more than adequate information to evaluate the Hartford Motion and to determine whether G-I's proposed compromise falls within the "range of reasonableness," the standard under In re Martin, 91 F.3d 389, 393 (3d Cir. 1996). Further, neither Seaboard nor any party-in-interest has filed an objection to the approval of the Hartford Motion. Therefore, the Hartford Motion should be approved by the Court.

JURISDICTION

2. This Court has jurisdiction to consider the Harford Motion pursuant to 28 U.S.C. § 1334. Consideration of the Hartford Motion is a core proceeding

pursuant to 28 U.S.C. § 157(b). Venue of this proceeding is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

RELEVANT BACKGROUND

3. On October 11, 2006, G-I filed the Hartford Motion pursuant to Federal Rules of Bankruptcy Procedure ("Bankruptcy Rule") 9019, 2002 and 6004 and sections 105(a) and 363 of title 11 of the United States Code (the "Bankruptcy Code"), seeking approval of a settlement of certain environmental insurance coverage claims by G-I, its indirect subsidiary, Building Materials Corporation of America d/b/a GAF Materials Corporation ("BMCA") and International Specialty Products Inc. ("ISP" and, collectively with G-I and BMCA, "Policyholders") against Hartford Accident and Indemnity Company ("Hartford A&I"), First State Insurance Company ("First State") and Twin City Fire Insurance Company ("Twin City" and, collectively with Hartford A&I and First State, the "Insurers"), and, in connection therewith, the sale of certain insurance policies free and clear of liens, claims, and encumbrances (the "Settlement").

4. On October 11, 2006, G-I also filed a Motion for an Order Pursuant to 11 U.S.C. § 107(b) and Fed. R. Bankr. P. 9018 Authorizing Filing of Documents Under Seal – Hartford Settlement (the "Seal Motion"). In the Seal Motion, G-I asserted that it was necessary to file certain documents under seal with the Court because, *inter alia*, various potentially responsible parties ("PRPs"), such as Seaboard, have submitted claims in G-I's case and that permitting such confidential documents to become public would undermine G-I's ability to defend the claims by these PRPs. On October 31,

2006, without objection from any party-in-interest, including Seaboard, the Court entered the order approving the Seal Motion (the "Seal Order").

5. On December 7 2006, G-I provided the Court with copies of the confidential documents to be filed under seal pursuant to the Seal Order. G-I's December 7, 2006 production of documents also included certain confidential documents related to the KWELM and Bryanston 9019 Motions, also returnable before the Court on July 11, 2007.

6. On December 11, 2006, two business days after forwarding a letter to counsel to G-I via regular mail first requesting information related to the Hartford Motion, Seaboard,[1] a group of PRPs overseeing the environmental remediation of a hazardous waste facility in Jamestown, North Carolina, filed its Submission. Specifically, Seaboard "object[ed] to the notice of the proposed settlement on the grounds that creditors have not been given adequate information regarding the proposed compromise as required by 11 U.S.C. § 102 and Bankruptcy Rule 9019." (Submission at 1.) Further, Seaboard asserted that it was provided with "no meaningful information regarding the Settlement Amount or the Allocation Analysis" and that G-I "utterly failed to meet its burden of notice because the filing of the settlement documents under seal without even a summary of their content is no notice at all." (Id. at 2.)

7. Seaboard filed its Submission more than five weeks after the Seal Order was entered. In the Seal Motion, G-I did more than summarize the contents of the confidential documents, as requested by Seaboard in its Submission. Instead, G-I

[1] On June 14, 2001, Seaboard filed a proof of claim (the "Claim") in G-I's bankruptcy case in the amount of $1,955,705. G-I disputes the amount of the Claim and will object at an appropriate time.

specifically listed the documents related to the Hartford Motion that it requested permission to file under seal.

8. By review of the Seal Motion and entry of the Seal Order, the Court determined and ordered that G-I met its burden under 11 U.S.C. § 107(b) and Fed. R. Bankr. P. 9018, and authorized G-I to file certain confidential documents under seal, as well as to provide relevant portions of the confidential documents to interested parties (other than, *inter alia*, co-liable PRPs at the environmental sites) subject to the entry of a confidentiality agreement.

9. Notwithstanding the Seal Order's clear directive that G-I was under no obligation whatsoever to provide confidential documents to PRPs such as Seaboard, G-I endeavored to satisfy Seaboard's concerns, provided that Seaboard executed a confidentiality agreement.

G-I'S PRODUCTION OF CONFIDENTIAL DOCUMENTS TO SEABOARD

10. Shortly after Seaboard filed its Submission, counsel for G-I began communicating with counsel for Seaboard regarding Seaboard's concerns and its request for information. It was immediately apparent to counsel for G-I that Seaboard's concerns related primarily, if not solely, to the Seaboard site. Therefore, bankruptcy counsel for G-I referred counsel for Seaboard to Nelson D. Johnson, Esq., one of G-I's ordinary course professionals who G-I believed had specific knowledge regarding the Seaboard site. (See Certification of Mark E. Hall in Support of the Reply (the "Hall Cert.") ¶ 2.)

11. Thereafter, the Hartford Motion, as well as the KWELM and Bryanston 9019 Motions, were adjourned numerous times over several months while, pursuant to confidentiality agreements with the Official Committee of Asbestos Claimants (the "Committee") and the Legal Representative of Present and Future Holders of Asbestos Related Demands (the "Legal Representative"), counsel for G-I produced documents and met with the Committee and the Legal Representative to address their concerns regarding the Hartford Motion and the KWELM and Bryanston 9019 Motions.[2]

12. At the same time, counsel for G-I and counsel for Seaboard had several discussions regarding Seaboard's Submission and its concerns therein. After Seaboard expressed its desire to review various of the same confidential documents under review by the Committee and the Legal Representative, G-I provided Seaboard with a Confidentiality Agreement regarding the production of documents related to the Hartford Motion, in reliance upon Seaboard's commitment to withdraw its Submission after Seaboard's receipt of confidential documents.

13. On May 31, 2007, counsel for Seaboard advised counsel for G-I that the Confidentiality Agreement was not acceptable as drafted (the "May 31st Letter"). A copy of the May 31st Letter is attached as to the Hall Cert. as Exhibit "A." In particular, counsel for Seaboard requested specific documentary information relating

[2] As relayed to the Court's staff, at the July 11, 2007 hearing, G-I will present the Court with a Stipulation and Consent Order Regarding Motions of G-I Holdings Inc. for Orders Pursuant to Bankruptcy Rule 9019(a) Approving Settlements with KWELM, Bermuda Fire & Marine Insurance Company Limited, and Bryanston Insurance Company and Motion of G-I Holdings Inc. Pursuant to Bankruptcy Rule 9019(a) and Bankruptcy Code § 363 for an Order Approving Settlement Agreement and Authorizing the Sale of Insurance Policies Free and Clear of Liens, Claims, Interests and Other Encumbrances, entered into by G-I, BMCA, ISP, the Committee and the Legal Representative.

to the corporate reorganization of GAF Corporation in connection with which both G-I and ISP were formed (collectively, the "Corporate History Documents").

14. On June 18, 2007, following discussion with counsel for Seaboard, counsel for G-I forwarded a revised Confidentiality Agreement (the "Confidentiality Agreement") to counsel for Seaboard, attempting to address all of Seaboard's concerns in the May 31st Letter, as well as going a step further and removing the requirement from an earlier draft of the Confidentiality Agreement that Seaboard agree to withdraw its Submission upon the execution the Confidentiality Agreement prior to review of the confidential documents, even though Seaboard did not request that G-I remove this requirement. (See Hall Cert. ¶ 4.)

15. On June 21, 2007, counsel for Seaboard executed the Confidentiality Agreement, and requested that the Corporate History Documents and other related documents be provided by Monday, June 25, 2007. On June 22, 2007 (the "June 22nd Letter"), counsel for G-I forwarded certain confidential documents to counsel for Seaboard for delivery on June 25, 2007. A copy of the June 22nd Letter is attached to the Hall Cert. as Exhibit "B."

16. The documents included with the June 22nd Letter comprise the entirety of the confidential documents related to the Hartford Motion that were filed under seal with the Court on December 7, 2006. Due to specific confidentiality concerns with PRPs such as Seaboard, G-I redacted, in part, one page of the Hartford Settlement Analysis, so as not to disclose G-I's monetary estimate of its liability at the

Seaboard site or any of the other specific sites to Seaboard.[3] All other documents were produced to Seaboard exactly as filed under seal with the Court. The June 22nd production also included several documents that were specifically referenced in the first draft of the Confidentiality Agreement.

17. On June 26, 2007, two members of Seaboard, Allan Gates, Esq. and Douglas H. Duerr, Esq., executed the Confidentiality Agreement. That same day, counsel for G-I forward a copy of the same confidential documents produced to counsel for Seaboard on June 22, 2007 to Messrs. Gates and Duerr (the "June 26th Letters"). A copy of the June 26th Letters is attached to the Hall Cert. as Exhibit "C."

18. On June 29, 2007, counsel for Seaboard advised counsel for G-I via voicemail that the documents included with the June 22nd Letter and the June 26th Letters did not completely satisfy Seaboard because, *inter alia*, it could not determine from the documents the specific corporate history relating to the formation of G-I and ISP. (See Hall Cert. ¶ 7).

19. On July 3, 2007, counsel for G-I advised counsel for Seaboard via voicemail that in an effort to address Seaboard's concern expressed in counsel's June 29, 2007 voicemail, G-I would provide Seaboard with all of the corporate history documents that were produced to the Committee and the Legal Representative in connection with the Hartford Motion, as well as the KWELM and Bryanston 9019 Motions. (See Hall Cert. ¶ 8). On July 3, 2007 (the "July 3rd Letter"), consistent with G-I's counsel's voicemail, G-I provided these corporate history documents to counsel

[3] Importantly, G-I did not redact the total past costs and estimated future liability risk numbers in the Hartford Settlement Analysis to aid Seaboard in its evaluation of the reasonableness of the Settlement.

for Seaboard, as well as to Messrs. Gates and Duerr. A copy of the July 3rd Letter is attached to the Hall Cert. as Exhibit "D."

20. To date, Seaboard has not responded to the July 3rd Letter nor has it withdrawn its Submission.

G-I PROVIDED MORE THAN ADEQUATE INFORMATION TO SEABOARD

21. It is important to note that Seaboard has not filed a substantive response or objection to the Hartford Motion. In fact, other than Seaboard's Submission, no party-in-interest has filed any pleading related to the Hartford Motion. Seaboard's Submission asserts only that G-I provided inadequate notice and/or information regarding the Hartford Motion as required by 11 U.S.C. § 102 and Bankruptcy Rule 9019.

22. Bankruptcy Rule 9019 provides that "[o]n motion by the trustee [or debtor-in-possession] and after notice and a hearing, the court may approve a compromise or settlement." Fed. R. Bankr. P. 9019(a) (emphasis added). Section 102 of the Bankruptcy Code provides that "after notice and a hearing" means "after such notice as is appropriate in the particular circumstances, and such opportunity for a hearing as is appropriate in the particular circumstances[.]" 11 U.S.C. § 102(1)(A).

23. It is clear that G-I has provided proper notice of the Hartford Motion to all creditors, including to Seaboard. Specifically as to Seaboard, even when it had absolutely no duty to do so pursuant to the Seal Order, G-I entered into a Confidentiality Agreement with Seaboard, substantially on Seaboard's terms, provided Seaboard with all of the confidential documents related to the Hartford Motion filed

under seal with the Court, and produced additional Corporate History Documents in an attempt to satisfy Seaboard's concerns regarding the Hartford Motion. Further, it is clear from Seaboard's continued focus on G-I's Corporate History Documents that Seaboard's concerns only relate to the Seaboard site, and not to the reasonableness of the Hartford Motion.

24. For these reasons, and based on the confidential information provided to the Court, the Committee, and the Legal Representative, significant portions of which have also been provided to Seaboard, G-I has more than adequately met its burden of notice as required by 11 U.S.C. § 102 and Bankruptcy Rule 9019, and the Hartford Motion should therefore be approved.

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CONCLUSION

WHEREFORE, G-I respectfully requests that the Bankruptcy Court (i) approve the Settlement Agreement between Policyholders and Insurers, (ii) approve the Settlement Transactions, including, but not limited to, the 363 Sale, and the compromises settlements and releases set forth therein, (iii) overrule Seaboard's Submission to the extent the Court deems the Submission an objection to the Hartford Motion, and (iv) grant G-I such other and further relief as may be just.

Dated: July 10, 2007
Morristown, New Jersey

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